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Beck, James Burnie

Banking and currency

Washington

1874

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BANKING AND CURRENCY.

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SPEECH

OF

HON. JAMES B. BECK,

OF KENTUCKY,

IN

THE HOUSE OF REPRESENTATIVES,

APRIL 8, 1874.

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WASHINGTON:  
GOVERNMENT PRINTING OFFICE.  
1874.

SPEECH  
OF  
HON. JAMES B. BECK.

The House having under consideration the bill (H. R. No. 1572) entitled "An act to amend the several acts providing a national currency and to establish free banking, and for other purposes"—

Mr. BECK said:

Mr. SPEAKER, some time ago I introduced and had referred to the Committee on Banking and Currency a bill which I had hoped would receive its favorable consideration, my special object being to substitute United States notes having all the qualities of national-bank notes for the notes of the banks, and to make banking practically free by a system which, while it would prevent undue inflation of the currency, would give the people and not the banks the benefit of the credit of the Government and enable the Government to furnish a basis for banking on its own convertible bonds at a low rate of interest, instead of putting, as is now done, the whole credit of the country into the hands of a favored set of bondholders, or of simply extending it, as the bill presented by the committee does, to the present holders of our bonds. I desire to read its provisions for the information of the House, as I intend, if the previous question can be voted down on the committee's bill, to offer mine as a substitute and have it referred to the Committee of the Whole for amendment, being very well aware that it is far from being perfect. I want to amend it by making one-half of the customs duties (all ought to be) payable in currency.

The bill reads as follows:

A bill to provide a uniform currency by the retirement of national bank notes and substitution of Treasury notes and 3½ per cent. bonds, and for other purposes.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That the Secretary of the Treasury be, and he is hereby, authorized to issue, in manner as hereinafter prescribed, on the faith and credit of the Government, \$400,000,000 of Treasury notes, payable on demand in United States legal-tender notes, at the Treasury and at such United States depositories as the Secretary of the Treasury may designate. Said notes shall be similar in form and appearance to the said legal-tender notes, and may be of denominations not less than one dollar, nor more than \$10,000, and shall be receivable in payment of all taxes, claims, and demands due to the United States, and of all claims and demands against the United States, to the same extent that national-bank notes are receivable and so farther.

SEC. 2. That the Treasury notes authorized herein to be issued shall only be issued to the extent that national-bank notes shall be returned by national banks for cancellation and destruction, as provided in section 9 of this act, and shall only be used in the purchase of the United States bonds commonly called "five-twenties."

SEC. 3. That the Secretary of the Treasury is hereby authorized and directed to issue from time to time, on demand, in exchange at par for legal-tender notes of the United States, the bonds of the United States in denominations of fifty dollars or any multiple thereof, said bonds to be called United States convertible bonds, to

bear interest at the rate of 3.65 per cent. per annum, and principal and interest payable on demand in legal-tender notes of the United States.

SEC. 4. That the Secretary of the Treasury is hereby authorized and directed to redeem said bonds on demand at the Treasury of the United States, at the offices of the assistant treasurers of the United States, and at such other convenient places within the United States as he may designate for that purpose, and under such regulations as the Secretary of the Treasury may prescribe; and whenever said bonds are presented and paid as aforesaid, the same shall be immediately canceled and stamped with the word "paid" on the face thereof, and the same shall be forwarded to the Treasurer of the United States. The Secretary of the Treasury shall, monthly, cause the bonds so paid to be destroyed in the presence of the Treasurer of the United States and Register of the Treasury, of which destruction a record shall be made showing the date, denomination, number, and date of payment of each bond, in a book to be provided for that purpose, and signed by the officers aforesaid.

SEC. 5. That the \$50,000,000 of legal-tender United States notes, authorized by existing laws to be issued in addition to the \$400,000,000 contemplated for permanent circulation, shall be prepared and held as a reserve for the redemption and payment of the Treasury notes authorized to be issued by section 1 and of the convertible bonds authorized to be issued by section 3 of this act.

SEC. 6. That the money received in exchange for convertible bonds shall only be used in the purchase of the bonds of the United States called five-twelves, and in keeping a reserve for the payment of the principal and interest of the convertible bonds when demanded, which reserve shall be of such an amount as, in addition to the \$50,000,000 mentioned in section 5 of this act, shall be sufficient, in the opinion of the Secretary, to insure their prompt redemption. Whenever any portion of said \$50,000,000 shall have been used in the redemption of Treasury notes or convertible bonds, the Secretary of the Treasury is hereby authorized and directed to sell to the highest bidder, for United States legal-tender notes, any of the bonds now authorized by law to be issued for funding the public debt, to an amount sufficient to restore to the Treasury all of said \$50,000,000 that shall have been used as aforesaid. Such sale of bonds shall be made upon due notice by advertisement and upon bids made by sealed proposals.

SEC. 7. That all further issue of national bank notes to national banks by the Comptroller of the Currency, whether for the renewal of defaced and torn bank notes or for any other purpose, is hereby prohibited.

SEC. 8. That in lieu of the tax of 1 per cent. per annum now imposed by law on the outstanding circulation of national banks, a tax of 3 per cent. per annum, payable semi-annually in gold, shall be collected upon the circulation which has been issued to each national bank which has not been returned for cancellation. This tax shall be collected by withholding one-half of said tax semi-annually from the semi-annual interest upon the registered bonds deposited by said banks as security for their circulation; and if the interest of said registered bonds is payable in currency, there shall be retained of said currency the equivalent of said tax at the market premium on gold, which premium shall be fixed by the Secretary of the Treasury.

SEC. 9. That each national bank may withdraw any part of its United States registered bonds deposited as security for the redemption of its circulation by paying into the proper department of the Treasury \$500 of its circulation for each \$1,000 of bonds so withdrawn, and may withdraw all of said registered bonds by paying a sum equal to its whole circulation, in its own bank notes, and United States legal-tender notes, or wholly in either of them; and thereupon the United States bank which is bound to redeem, on demand, the whole of such circulation of said bank which shall be outstanding. When such circulation is redeemed or paid into the Treasury as provided herein, it shall be destroyed in the manner now provided by law.

SEC. 10. That the United States legal-tender notes paid into the Treasury under the provisions of section 9 shall only be used, first, for redeeming the circulation for which it was paid into the Treasury, for doing which promptly a sufficient reserve shall be kept in aid of the fund provided in section 5; and, secondly, in purchasing United States five-twenty bonds.

SEC. 11. That whenever the Secretary of the Treasury may think it expedient, he may use any coin in the Treasury not required for the payment of demands against the United States payable in coin, in redeeming any United States five-twenty bonds that have become payable at the pleasure of the Government, the market value of which coin, as fixed by said Secretary, shall be substituted by Treasury notes issued by authority of this act, or by legal-tender notes received under the authority of this act, which shall thereupon become subject to be used in the Treasury for the payment of all claims and demands against the United States.

SEC. 12. That no purchases of United States five-twenty bonds shall be made under the provisions of section 3 or sections 6 and 10 of this act when the price demanded shall be at a greater rate of premium upon the bonds than 10 per cent. above their par value of principal and accrued interest; nor shall any redemption of said

bonds be made in pursuance of section 11 while the premium on gold is above 10 per cent. in lawful money.

Mr. Speaker, I will not attempt to discuss this bill in detail now if the previous question is sustained on the bill of the committee the House will not be able to consider it. If the previous question is not sustained I will have opportunity to explain it under the debate in Committee of the Whole; and as I am limited to thirty minutes, I propose, first, to consider specially an amendment which I have offered to the bill of the committee; that done, I will devote my remaining time to advocating the general principles of my bill, and in stating my objections to the bill of the committee.

Last Saturday week, when the bill was being considered, I submitted the following amendment:

Add as an additional section:

*Be it further enacted*, That from and after the passage of this act, there shall be levied, collected, and paid, a tax of 1 of 1 per cent. per month upon the average amount of circulation issued by any bank, association, corporation, company, or person, including as circulation all certified checks and all notes and other obligations calculated or intended to circulate or to be used as money, but not including that in the vault of the bank, or redeemed and on deposit for said bank; and all provisions of existing law in conflict with the foregoing provisions are hereby repealed.

I followed the language of the present law literally except in the change of rate from  $\frac{1}{2}$  to  $\frac{1}{4}$  of 1 per cent. per month, which I propose to show is not more than a fair rate of charge for the money loaned to the banks by the Government. I know the bankers and their advocates will raise a clamor against it, and cry aloud as to the oppression and destruction which such a proposition, if entertained, would bring upon all their interests; indeed, I have been told that it is too absurd to be seriously considered. I hear so much of that almost every day before the Committee on Ways and Means from the protected monopolists that it has ceased to make any impression on me. I have yet to see the first man, or combination of men, who did not resist bitterly all attempts to curtail his special privileges or to free the people from his extortions.

Let us look at the matter fairly. Men who hold bonds of the United States which they bought and paid for with legal-tenders at par, many of them having sold gold for the greenbacks they bought the bonds with when one gold dollar was worth at least two in paper, will hardly stand up here and claim that they have either been oppressed or neglected when they alone of all the creditors of the Government have succeeded in having laws passed paying the principal of their bonds in gold while other public creditors, no matter how meritorious, have to receive their pay in the currency of the country.

I presume three-fourths of the bonds now held by national bankers were bought with legal-tenders at par; but as I cannot prove that, and want to present the question fairly, I am willing to concede that the bonds cost them on the average 10 per cent. premium. Upon that assumption, which is certainly all the bankers can claim, and assuming 7 per cent. interest, which is the legal rate of interest in the State of New York as the average value of money, let us apply the test. It requires \$110 to buy a hundred-dollar bond of the United States; the interest on the money invested is \$7.70 per annum; the bond bears 6 per cent. interest in gold. Put the premium on that down to 10 per cent.; the interest on the bond (payable semi-annually) is \$6.00. In addition to that, the Government loans to the bondholder, as a national banker, ninety dollars on every hundred-dollar bond he deposits as security, requiring him to hold in reserve (which I will assume he does, though

we all know that to be a fiction,) 15 per cent. of the ninety dollars so loaned, leaving him for his own use \$76.50, the interest on which, at 7 per cent., is \$5.35. How does the account stand?

United States, Dr.	
To \$110 invested, worth 7 per cent. ....	\$7 70
United States, Cr.	
By \$100 United States bond, interest .....	\$6 60
By \$76.50 loaned by United States, 7 per cent. ....	5 35
	11 95
Deduct 3 per cent. tax on \$90 circulation to United States .....	2 70
Leaves .....	9 25

Or a clear profit of \$1.55 per cent. to the banker after paying the tax I propose on the whole currency loaned by the Government, while the increase of the tax from 1 to 3 per cent. would add annually \$7,000,000 to the revenues of the country.

I would like to know from what source that amount of revenue can be so justly and equitably raised as from the national banks, if we are to be cursed by their continuance. I would like some gentleman to explain why a bondholder should be entitled to borrow money from the Government at a lower rate of interest than any other citizen; or why the national banker should have the money of the people put into his hands at the rate of 1 per cent. per annum to be loaned to the men from whom it was taken by taxation at the rate of (say) 7 per cent. per annum, to enable the bondholding banker to pocket the other 6 per cent.

If a bondholder with \$1,000 or \$100,000 of bonds which he was willing to deposit as security wanted to borrow \$900 or \$90,000 from any banker, corporation, or individual, he would have to pay 7 per cent. interest for it, just as I would have to do if I held and offered to deposit State bonds, railroad bonds, or other undoubted securities. Why should the Government, the people's banker, furnish him \$900 or \$90,000 on his securities at 1 per cent. interest per annum, when the money it furnishes is worth 7 per cent., and when it would not let me have a dollar though I might pile up other securities mountain high to secure the repayment of the loan?

The whole system is an odious monopoly, an unjust and iniquitous waste of public money and public credit to enrich the pets and parasites of the Administration, or to debauch political opponents who often become quasi radicals when they get to be national bankers.

Why should not 3 per cent. be charged for the money furnished? Is it not true that even then these men get the money they want either to loan or use in their business cheaper than they could obtain it anywhere else and cheaper than private bankers or other business men can get money? The figures I have furnished prove it; they are simple and easily understood.

Is it said that other taxes are imposed on national banks? I answer, none except what State banks and private bankers, who get no money from the Government, have to pay. Surely it is privilege enough, even after a tax is imposed equal to the value of the money furnished, that Congress grants them charters which protects their private property from responsibility for banking liabilities, makes them Government depositories, and exempts them from many burdens and responsibilities which other men engaged in like business, without Government patronage, have to bear.

However plausible the pretext may be under which our tariff-protected pets are enriched at public expense, it will hardly be pretended that banking is an infant industry that needs the fostering care of the Government. The men who engage in that are able to hold their own with the people. They are the hawks among the small birds; they need no guardians. They have, I fear, a majority of the members on this floor personally interested in defeating all efforts to impose just taxation upon them.

Perhaps it will be contended that the bank-notes furnished by the Government, not being legal tenders in payment of private debts, are not money in the ordinary sense, and therefore the banks ought not to pay the Government for its use what they might properly be required to do otherwise. For answer to all such suggestions I will ask the Clerk to read the portion of the letter I send to him which I have marked; it is from one of the ablest lawyers and best financiers in the country, Madison C. Johnson, esq., president of the Northern Bank of Kentucky; it expresses what I want to say much better than I can say it:

The most obvious truth in the whole matter is the very insufficient consideration received by the Government for the monopoly given to the national banks of the national currency, and for the guarantee of that currency by the Government. It is that guarantee which gives to the national-bank notes their uniform, universal, and even unquestioned currency and circulation as money. The national-bank notes are in substance the notes of the Government; practically as much so as the legal-tenders. It would be, consequently, just as proper for the Government to loan to the national banks legal-tenders at an interest of 1 per cent. per annum upon the security of the national bonds bearing 5 and 6 per cent. in gold as to lend as it does national-bank notes at that interest. The Government pays the national banks the same interest it pays to other holders of its bonds, but lends to those banks 90 per cent. in its guaranteed currency equal in value to legal-tenders at 1 per cent. in currency.

In addition the Government spends a large part of this 1 per cent. interest in the salaries and other expenses in watching over, examining into, and otherwise keeping in good credit these national banks, besides being at the whole of expense of the bank notes.

It cannot be said that the reserves which the banks are required to keep are of any benefit to the Government or to the holder of the national-bank notes. The holder looks to the Government to redeem under its guarantee, without reference to the bank, its capital, or reserves.

It seems to me that these facts are so obvious that elaboration or attempt at elucidation would only obscure them.

Another fact is equally apparent, that our legal-tender notes could be made equal to gold in a day if Congress would only pass a law making them receivable for customs duties, and it is equally clear that even without that legislation they would long ago have been at par with gold but for legislation by Congress hostile to their appreciation, piling new burdens upon them and on the people for the benefit of the very men who are now so clamorous for a return to specie payments. I refer, of course, to the body of laws creating national banks and providing a national currency.

The effect of those laws is almost to double the circulation. Instead of being \$400,000,000, as it would be without the bank-notes, it amounts to over \$750,000,000, consisting of legal-tenders, national-bank notes, and postal currency, all of really equal value, and constituting a money of such perfectly uniform value that no one gives the slightest preference to one over the other in the transactions of business or in the receipt of money.

Substantially the national-bank notes are United States notes and substantially "legal-tenders," the faith of the Government being pledged to give legal-tenders for them if the national banks do not.

Nearly doubling as they do the total circulation, they more than double the depreciation of that circulation below coin, rendering it at least doubly as difficult to bring our circulation to a par with gold.

If, instead of issuing these bank-notes to banks, the Government had issued its own Treasury notes payable on demand in greenbacks, placing those notes on the exact footing of national-bank notes, such as being payable and receivable for all public dues as legal tenders, and only different from greenbacks in not being legal tenders for private debts, there can be no doubt that these Treasury notes would circulate equally well with national-bank notes, and equally well as greenbacks. To issue such Treasury notes would no more violate any pledge, express or implied, of the Government not to issue more than four hundred millions of "legal-tenders," than is the issue of national-bank notes with the pledge of the Government to redeem them in greenbacks if not redeemed by the national banks.

The pledge of the Government to redeem such Treasury notes in greenbacks on demand would for the purpose of their circulation be equivalent to their actual redemption, and make them for purposes of circulation the equivalent of greenbacks just as national-bank notes now are their equivalent.

I consider the Government bound to take care that the circulation, that which constitutes the money of the country, is always sound and of uniform value everywhere. The community has no choice as to receiving whatever constitutes the circulating medium. Whatever it may be, they are compelled to receive it in exchange for their productions or their labor. It is otherwise as to all other parts of banking, which is simply an exchange of credits. Depositors can take care of themselves; borrowers can also. It is the general public, and especially the poor and ignorant, who cannot guard themselves against an unsound circulation. The General Government can give that sound circulation of uniform value at cheap rates, without partiality or favoritism, and can by proper penalties forbid any other. Having done this, the Government may well dismiss banking to the class of other pursuits to take care of itself.

Cheap, sound, and uniform currency is, as I have said, a special necessity to the poor and the humble. They hold most of it in some form or other; they are not complaining of it though its depreciation falls on them, while the bonds of the rich are made the special objects of Government protection. In the great transactions of commerce the check, the draft, the bill of exchange, the clearing-house certificates, and the other modern inventions to facilitate trade, reduce the use of currency to a very small percentage. If Government should forbid or tax these substitutes, the clamor for currency would be heard from all the contractionists. These devices are unknown to the laborer. At the market-house, in the retail shop, everywhere he has to pay for all he buys in currency; it is the money of retail, and is used now in that way to an extent proportionate to the magnitude of the country, its development, and its resources.

All railroad fares, express and post-office charges, as well as all wages for day labor and expenditures by the laborer, are paid in currency. Surely forty-three million of people covering such a continent as this, traversed by railroads, canals, stage-coaches, and street-cars, and filled with retail dealers, public and private, must need more currency to supply their wants than any like population in the small countries of the Old World, a majority of whose people never were twenty miles from the spot where they were born, and when they make such a journey almost invariably walk, and in a majority of cases receive as

wages for their labor farm products for the support of their families; yet we have less than most of them, and half of what we have we get from national banks at exorbitant rates of interest, the Government having furnished it to them at 1 per cent. to enable them to plunder their neighbors.

Under our system Government has the exclusive power to furnish the people with money and regulate its value. It is the only species of property it can supply. The people get all else they possess as best they may. Men who undertake to interfere with this Government monopoly are sent to the penitentiary. A nickel worth one cent, when so ordered by the Government, is made five cents. A bond, greenback, bank-note, certificate of indebtedness, or other obligation, is worth whatever the Government says it shall be worth, and is receivable only for such fines or demands as the sovereign power prescribes. No set of bankers or bondholders can rightly intervene between the Government and the people in the supply of money made by its authority. Every citizen should obtain it on equal terms, and no Secretary of the Treasury nor any subordinate under him should have the right to say who should and who should not have it, when each offers equal security for its use. Congress might as well delegate its power to declare war and maintain armies to the Secretary of War as to delegate the control of the currency of the people to the Comptroller of the Currency and the national bankers. I had almost added, as well delegate its power to regulate commerce, and would have done so but for the fact that this House had in a moment of insane delusion transferred all its sovereign power over that great subject to a commission of nine partisans, for no other purpose that I can imagine than to enable the great railroad corporations to nominate or purchase five of them, as an easier and cheaper way to obtain authority to do what they please than the present somewhat complicated and expensive process of controlling the Congress of the United States and the Legislatures of thirty-seven States.

But I will not digress on that line further than to say that the grangers to whom they were pandering cannot be caught with such chaff, especially after the insincerity of the whole movement was so clearly developed by the refusal to remove the obstacle to cheap transportation at the Falls of the Ohio, in which fourteen States and their commerce are so immensely interested.

Returning to the question, why, I ask, should Congress fix a limit to banking or currency? If made free and limited only by the wants of the people, the demand will regulate the supply, as it does in all else. What is required at one season of the year is too much, or too little at another; if the highest amount required at any season is fixed and required to be kept at all seasons, gambling operations must supply the absence of legitimate business. The limited amount of fractional currency has never been all taken, because the demand never reached the limit of the supply. Men would not purchase bonds and exchange them for currency to an amount exceeding what they could make profitable, no matter what authority Congress gives. Up to that point I see no reason for limiting the use of money; the demand would regulate the amount.

With a fixed limit, combination can create scarcity by locking money up when it is most needed; panic and disaster follow. It would be impossible to do so if no limit is prescribed. Why should Congress arbitrarily determine, without knowledge of the wants of the people, or if you please with knowledge that at different seasons a different volume of currency is needed, to make a procrustean bed

Why, I ask, should Congress specially seek to encourage the business of the money-changers? These men produce nothing, add nothing to wealth; they toil not, neither do they spin. They live on the necessities or misfortunes of productive labor. They are the drones in the hive of industry. It might not be polite to say that they are the buzzards who batten and fatten on the corruptions of the body-politic. Moses, by divine authority, prohibited their business, and Christ drove them from the temple because under them it became a den of thieves.

Whatever may be said as to money-lenders, one thing is clear: they need no protection, and should have no control of the money of the people.

I think if Mr. Calhoun was now alive he would advocate, in the present condition of the country, some such bill as I have offered. I judge so by reason of the following:

Mr. Calhoun, in his speech on the bill authorizing an issue of Treasury notes, September 19, 1839, said:

It is, then, my impression that, in the present condition of the world, a paper currency in some form, if not necessary, is almost indispensable in financial and commercial operations of civilized and extensive communities. In many respects it has a vast superiority over a metallic currency, especially in great and extended transactions, by its greater *cheapness*, lightness, and the facility of determining the amount.

It may throw some light on this subject to state that North Carolina, just after the Revolution, issued a large amount of paper money which was made receivable in dues to her. It was also made a legal tender, but which of course was not obligatory after the adoption of the Federal Constitution. A large amount, say between four and five hundred thousand dollars, remained in circulation after that period, and continued to circulate for more than twenty years at par with gold and silver during the whole time, with no other advantage than being received in the revenue of the State, which was much less than \$100,000 per annum.

[illegible]

Believing that there might be a sound and safe paper currency founded on the credit of the Government exclusively, I was desirous that those who are responsible and have the power should have availed themselves of the opportunity, &c.

We are told the form I suggested is but a repetition of old continental money—a ghost that is ever conjured up by all who wish to give the banks an exclusive monopoly of Government credit. The assertion is not true; there is not the least analogy between them. The one was a promise to pay when there was no revenue,

[illegible]

needs no such support.

It has many other striking advantages over bank circulation, in its superior cheapness. It has no cost, and with greater stability and safety. Bank paper is cheap to those who make it, but dear, very dear to those who use it. It is cheap to the bank, but dear to the community, which give the great profit to those who have a monopoly of the issue. Some idea may be formed of the magnitude of the profits, by the splendid paper currency, and the name of banking-bosses, and the vast fortunes which have been accumulated in this branch of business, all of which are derived from the issue of paper currency, and of course adds so much to the cost of production. On the other hand, the credit of Government, which it would greatly facilitate, would be a great advantage to the community, while it would greatly facilitate the people, and of course would add nothing to the cost of production, which would give every branch of our industry, agriculture, commerce, and manufactures, as far as its circulation might extend, great advantages over the money already in use.

Later still, in his speech on the sub-treasury bill, Mr. Calhoun said:

[illegible][illegible]



shape of interest on their bonds and in the payment of principal, to the whole amount of the customs duties, which have for five years averaged over \$200,000,000 a year.

When those of us who think that the currency of the people should be sustained and made valuable by putting it to more extended uses proposed to pay one-half, one-third of the customs duties in legal-tender notes, every bondholder and monopolist raised the cry of "bad faith," and clamored that all the customs duties were forever pledged to them, and while they could not honestly absorb them they played the role of the dog in the manger, and would not allow the people to have the benefit even of what they could not use. Now they clamor for a return to specie payments, because they know that nobody but themselves either has or can possibly obtain gold, while they have the tax-payers. Having obtained a monopoly of the gold and the bonds, and having by outrageous legislation, which, by a court constituted for the purpose, has been declared constitutional, deprived the people of gold, and not only forced them to take greenbacks for debts contracted to be paid in gold, but caused the Government to repudiate its legal-tender notes by refusing to receive them for customs duties, and to appropriate all the gold it can obtain to pay their own interest on their bonds, now they have the assurance to declare their own legalized offspring a bastard by pretending that the Constitution contains provisions which in time of war they have a right to construe one way, and in time of peace must be construed in another. Each construction, however, is intended to oppress the masses; in short every appliance is urged and every device is resorted to which these monopolists think will enrich them at the expense of depreciating the value of the property of the debtor classes and adding to the purchasing power of their gold. If they succeed they will reduce to beggary and vassalage all those who were induced or compelled, by the legislation of ten years ago, to buy property at such prices as they could, with what those nabobs now call worthless greenbacks.

Paper money was good enough for the *gold shirkers* when it would buy United States bonds at par; it enabled them to take a first mortgage on all the property of the country for over \$2,000,000,000, which they are now seeking to foreclose long before it is due, because they see the opportunity to extort more now from the tolling millions than they will probably be able to do at any future time. They suspect, rightly I trust, that a betrayed and impoverished people will violate their trusts and sacrifice all their interests to still further enrich a shoddy aristocracy based on banks and bonds.

If the gentlemen who are so clamorous for contraction would contract the debts which the great mass of the people owe instead of contracting their means of payment, they would afford substantial relief to the class which most needs protection; if in their desire to return to a just standard of values they would—as a court of equity would decree in private transactions between citizens—scale their own demands against the Government, so that we should only be rebonds at the time of the investment of the money they invested in our might agree to come to a general settlement of debts in gold, for there would be very little, if any, of our great national debt left; but while they are demanding the pound of flesh it is our duty to see that they do not draw the life-blood of their victims.

*Expansion*, which is held up as a bugbear to frighten the timid, will, if it hurts at all, only hurt those who cannot be seriously injured. Contraction ruins those who cannot rally from the blow inflicted.

I hope the day is not far distant when the wealth, and not as now the labor of the country, will be taxed to support the Government; when the incomes of the rich and the interest they are extorting from toil will bear their share of the public burdens. As a step in that direction, one which will produce \$7,000,000 of revenue annually, I have asked the House to impose the tax of 3 instead of 1 per cent. per annum on the money loaned by the Government to the bond-holding bankers. Even that would enable us to give free coal, free salt, free watches, and free medicines to the people, and have more money in the Treasury than is now derived from all these sources combined, without doing any injustice to anybody. I would not be unjust to these gentlemen, but I see no reason for continuing the burdens which now oppress the whole people to enrich them at the public expense.

I have never been able to comprehend how upon principle—I readily understand how from interest—gentlemen who cry out against inflation when the legal-tender circulation is sought to be increased are entirely content to see the national-bank note circulation expanded.

I am opposed to the whole national-bank system as an unjust monopoly, and only propose to amend the bill of the committee by increasing the tax upon circulation as the best means I could think of to obtain some compensation for the vast privileges conferred on the bankers, if the system is to be perpetuated.

What the committee in their bill call free banking is to my mind in no sense free banking. Only the present bondholders can engage in it. If the bill becomes a law it extends the right, it is true, to all the present bondholders, but it stops with that class, and the Government has no power to authorize a single man outside of that circle to bank on any terms whatever. We are not proposing to increase our bonded debt. Of course all the bonds representing our present debt are held by private parties. What the committee call free banking gives not only the preference but the monopoly to those who have the bonds now outstanding to deposit for the currency.

If my bill, or the principles it asserts, prevails the Government can enable any man or set of men, whether they now hold bonds or not, who see fit to purchase the new low-interest bonds I propose to have issued, to become bankers. This would make banking not only free to all, but enable the Government without partiality and without placing one man at the mercy of another in procuring bonds to furnish them with currency and bonds supplied by the Government to the people at low rates. Not only could our present bonds bearing a high rate of interest be retired and many millions thus annually saved to the tax-payers, but the low rate of interest charged by the Government will necessarily reduce the rate which private individuals can charge, thus indirectly as well as directly releasing the industries of the people from the grasp of the money-changers.

The object of every representative of a free people should be to make the medium of exchange cheap and easily obtained when business requires it. Money is not property in any true sense; it is useless, except to dispose of; it never aids its owner till he parts with it; it is the yard-stick, the pound weight, the bushel measure. Government gives it all its value; it ought to supply, protect, and make it uniform. No class of men should be allowed to control it, or come between the

Government and the people in the circulation of it. I regard the national-bank monopoly as a most unwarranted perversion of the powers and duties of Government in that regard; hence my opposition to the system.

If a fair vote can be had, I have no doubt the principles advocated by me will prevail, notwithstanding the power and the numbers of the national-bankers on this floor. One thing is certain, those who to enrich themselves, vote to oppress their constituents by voting millions of money into their own pockets at 1 per cent., to loan to the tax-payers at 8 and 10, will find their places occupied hereafter by men who will so legislate as to deprive them of their ill-gotten gains.

Poverty has brought reflection to the people and has sharpened all their senses; they can neither think nor look around them without feeling and seeing that the proceeds of their toil have in some way been transferred to the pockets of the bankers. Their palatial residences are everywhere; every prominent corner on every principal street in their cities is a bank. Taxation is so arranged that the bonis and the incomes of the rich go free while half the daily wages of labor is taken away, under pretense of protecting it, by taxation on everything that is worn, used, or consumed, I had almost said that is seen, tasted, heard, touched, or smelled by the laborer and his family. He is looking into these things at last, and the result of his investigation will be to fill these Halls with a new and a very different order of men. He is beginning to see the folly of throwing his sweaty cap in the air and shouting for men who are secretly picking his pocket during his blind enthusiasm.

The claim of transcendent wisdom and profound statesmanship so long and so loudly claimed for the Administration because of the reduction of the national debt since 1869 has not only lost its charm but is now admitted to have been a scheme to plunder the people and enrich the bondholder. Over \$40,000,000 has already been paid as premium in the purchase of the bonds redeemed, and the process is still going on. Even Senator SHERMAN had to admit that if half the effort had been made and half the money expended to make the legal-tenders good, they would be equal to gold to-day.

What makes the paper money of France, notwithstanding its volume, as good as gold? Simply because the state receives it for all taxes. How did North Carolina, Kentucky, and other States make the paper of their States as good as gold even when it was not a legal tender? Solely by receiving it for all taxes due to the State. Let these legal-tenders of the United States be made receivable for all taxes, customs as well as internal revenue, and they will be equal to gold at once. The bondholders know it; the gold-gamblers understand it; all the monopolists oppose it. Why, I ask, should they longer rule this Congress? They have obtained legislation whereby all the gold received goes into their pockets, and therefore demand specie payments.

Let us so legislate as to require the Government at least to take the only money we can get for the taxes we are required to pay, before we can land the goods we have to buy from other nations, in exchange for the products which we must sell to them, and the farmer will then be on something like terms of equality with the bondholder. So long as the people must buy gold from the bondholder to pay their debts to the Government, it is an insult to require them to curtail the value of the only money they can get to the gold standard, shrinking the value of everything they own, except the debts they owe to these gentlemen who have all the gold.

It is said that Mr. Greeley once went to Mr. Lincoln and urged him to cause specie payments to be resumed, showing how it could be done. Mr. Lincoln saw that the plan would soon exhaust the gold in the Treasury, which when gone he could not replace, and of course the scheme would prove a failure. He illustrated, as he could so aptly, by telling Mr. Greeley that in Illinois a terrible disease broke out among the dogs. Many of the most valuable died, all seemed likely to, when a Yankee came along, and for a reasonable fee agreed to cure them. His remedy was to cut their tails off as close to the body as possible. It worked like a charm. The dogs got well, and the Yankee got his money. All were delighted. But, unfortunately, the disease broke out again among them. The means of cure was gone. The operation could not be repeated, and the remaining dogs all died. A like result, said Mr. Lincoln, would follow after the Treasury was once emptied; and he was wise enough not to attempt it. It would be as great folly now as then, until the bondholder will allow the people's money to be taken by the Government for all its taxes, just as his gold is taken.

I desire to say a few words before I close to gentlemen who represent the old and wealthy States of the North and East. When you press, your lecturers, your public meetings, and your combinations of protected wealth and monopoly undertake to threaten and denounce the West and the South because we do not do your bidding in regard to this question, calling us semi-barbarians and hinting strongly at resistance if we outvote you, your people make a great mistake. We can be led a great way, but we are hard to drive. Our people know their rights, and are not easily frightened. It will be a dark day for your people when politically you force a separation on the line of the Potomac and the Alleghenies.

There are empires yet almost untouched in the valley of the great Father of Waters. You know how few of the fifty Representatives added to this Congress came from your section. The disproportion will continue to increase with each succeeding census. In ten more years we will send full two-thirds of the Representatives to this Hall. These are facts it would be well to heed.

But waiving all these considerations, I ask, is it fair, is it fraternal, to seek to curtail our circulation now, when the six little New England States hold, in plain, palpable violation of law, and resist all efforts and demands to have its provisions complied with, almost three times as much banking capital as the fifteen States of the South and Southwest, and nearly as much as the whole twenty-five States of the South and West? The figures furnished by the Comptroller, showing the distribution of banking capital, are, in round numbers, as follows: The six New England States have \$110,500,000; the fifteen Southern and Southwestern States have \$28,100,000; the eleven Eastern States have \$25,000,000; the twenty-six other States have \$116,000,000.

This is the distribution made and maintained under a law which requires the banking capital to be distributed one-half according to population, and one-half according to wealth. Kentucky, Tennessee, and Virginia have a population exceeding by 316,770 that of the six New England States, as the last census shows, and have a wealth-producing power far greater, yet they have only \$14,881,978 of banking capital; while New England has \$110,500,000, and all her Representatives steadily resist all efforts to have the law complied with, and with one exception, the gentleman from Massachusetts, [General BUTLER,] demand from us further contraction of our circulation and means of payment.

I am bound to say for that gentleman, with whom I have antagonized as sharply in most things as with any member on this floor, that he has denounced the banking monopoly, the discriminating taxation in favor of wealth, and the repudiation of our national currency by refusing to receive it for customs dues, as unconstitutionally any man in this House. Perhaps his course on that question may account for his hold he evidently has on the middle and poorer classes of his people. The following extract from his speech in 1893 may well be repeated, and the attention of the House and the country called to the truths contained in it. He said:

Let me briefly sketch another illustration of this inequality of taxation which actually happened in my own neighborhood. There is a farmer owning a farm worth \$10,000, upon which he does hard work enough every year to earn the sum part which he is able to give his family from his farm were he a mechanic. That farmer pays a tax to the State of \$100. The Government he pays directly and taxes, to support schools and highways; and to the Government he pays, directly and indirectly, a tax of \$200 more. His net returns from his farm are less than \$1,000. He which he receives as interest \$9,000 a year, on which no dollar of State, county, town, or school or highway taxes is paid. The farmer as he toils under the burning sun to raise over the highway which farmers' taxes only have built and maintained. His neighbor's children and his own go to the same school supported by his taxes alone. He ponders, as he labors, upon the system of laws, which thus compels him to work to pay for the education of his wealthy neighbor's children, and as he reflects he will convince himself that he is suffering a bitter, burning wrong, and no argu- ment will convince him to the contrary. If, then, you expect that farmer to vote for any man or party that retains a system of taxation which works such results, never to happen in any civilized land. Change it how you will or can; but it must without you. The arguments by which you justify and sustain it, however specious or however sound, will fall unheeded on unwilling ears. You may cry out which works injustice and wrong to a whole people. There is this alternative, no other; ponder it well—*equalized taxation or repudiation.*

Gentlemen, you have steadily refused to allow your bonds to be taxed, while all else bore the burden of supporting the Government; you have succeeded in passing laws to relieve your incomes, your manufactures, your accumulated wealth, and even the immense eastern products and industries till on distilled spirits, in which form you alone we can transport our corn, and on our tobacco we have to pay an annual tax to the Government of \$85,000,000; largely more than double the amount of all the currency which the fifteen States of the South are, by the illegal extortion of the East, permitted to have.

You know that less than 7 per cent. of the bonds of the United States are owned west of the Alleghenies or south of the Potomac, so that it is impossible for us, as you have it now arranged, to get gold except at your price, with nearly all the gold interest paid to you and three-fourths of the amount of currency taken from us annually by the Government for internal taxes distributed by it among your people.

Is it fair, I repeat, to denounce us because we are opposed to being sold out of houses and homes to gratify your avarice?

It must not be forgotten that in 1895, when Congress with unparalleled unanimity ordered further contraction of the currency to cease, because of the oppression it was producing on the industries of the country, we had \$1,030,000,000 in circulation. If it was unsafe and unwise to contract it below that point then, how is it possible, when all our wants, industries, and necessities have increased over 45 per

cent. since that date, that we are to be denounced as inflationists when we ask for less than \$850,000,000 of currency now?

Gentlemen, your avarice has overthrown your judgment. We will unite with you to make legal-tenders as good as gold, by requiring them to be received in payment of customs dues. I have a bill pending for that purpose now. We will cut down expenditures; we will do all that men can do to maintain honest and economical administration in all the affairs of Government. We will not ask you even to scale your bonds to the gold value of the greenbacks you bought them with; but you must excuse us if we decline to allow you to sell us out under the hammer, because at this time you happen to have all the gold in the country, and in that commodity we are at present poor.

We have all the elements and sources of wealth in abundance. We are able and willing to work. Against our will you forced us to take the paper which your laws made a legal tender. In spite of hostile and class legislation under which our people have suffered grievously and are still suffering—we are rapidly, even in the States of the South, building up our waste places and restoring our desolated homes. Thousands of our people lost all by a war which the people of the East never felt, or felt only as they fattened on our misfortunes, and we do not feel that we ought now to be deprived of or curtailed in our means of paying our debts, which, of course, are owing largely to the rich men of the East, men made rich by the very causes which made us poor.

The great cities along the Atlantic coast have been built up and are still being made more magnificent because their people are and have been our factors and brokers, our silent partners, and have taken all the profits. Your magnificent cities and your palatial homes have been built and paid for by our toil and our sweat. You may force us to seek other channels and other agents. The Mississippi and the Saint Lawrence can be made available means of reaching the sea with our products. Great lines of water transportation can be made to reach the ocean without touching your now great cities. Legislation had here may draw upon your wealth to construct them. We will be long have the power to enact it whether you like it or not. It may be the part of wisdom to give us a chance now when we ask only what is reasonable, and to allow us the same right to determine what is best for our people that you claim to do for yours.

One thing is certain, abuse will not forward your views, hard words will not change your votes. Whenever the western Representatives are satisfied that they are wrong they will put themselves right. Till they are, they will pursue the course which in their judgment will best promote the interest of the people they represent. I may be compelled, as I cannot do what I want to vote for some such bill as the Senate has sent us, or as the committee presents, perpetrating the national banking system. I shall do it with great reluctance, and only after I have made all the efforts in my power to tax them to the full value of the money furnished to them by the Government.





**END OF  
TITLE**